Cominco Ltd. | 66th Annual Report 1971

Cominco

File

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Cover

Tadanac Brand Metal on the docks of Pacific Coast Terminals Co. Ltd. at New Westminster, B.C., awaiting shipment overseas.

Financial Highlights

Total Revenue	**1971**	**$258,228,000**
	1970	$269,949,000
Capital Expenditures	**1971**	**$42,464,000**
	1970	$37,652,000
Dividends Declared	**1971**	**$11,688,000**
	1970	$23,376,000
Dividends per Share	**1971**	**$ .70**
	1970	$1.40
Net Earnings	**1971**	**$15,682,000**
	1970	$24,265,000
Net Earnings per Share	**1971**	**$ .94**
	1970	$1.45
Working Capital	**1971**	**$96,786,000**
	1970	$85,610,000
Cash and Short Term Investments	**1971**	**$34,417,000**
	1970	$12,710,000

Cominco Ltd.

Report of the 65th Annual Meeting of Shareholders Vancouver, British Columbia 22nd April 1971

Following is a summary of the proceedings of the 65th Annual General Meeting of Shareholders held at the Vancouver Hotel, Vancouver, British Columbia, at 11:00 A.M. on April 22, 1971.

Mr. W. S. Kirkpatrick, Chairman of the Company, presided and Mr. C. H. B. Frere, the Secretary, acted as secretary of the meeting. The Chairman welcomed the audience of well over 200 persons and introduced the officers seated with him and the Directors, of whom there were thirteen present. The Notice calling the meeting having been read by the Secretary and as there was a quorum present in person, the Chairman declared the meeting regularly called and properly constituted for the transaction of business. Scrutineers were appointed, whose report showed that there were ninety shareholders present representing in person or by proxy 12,722,075 shares or 76.2% of voting rights. The Scrutineers' report was adopted.

A summary of the minutes of the last Annual General Meeting having been mailed to all shareholders, reading of the minutes of the previous meeting was, on motion, dispensed with. On motion, the reading of the Report of the Directors for the year 1970 was also dispensed with. The Directors' Report and the consolidated financial statements of the Company and its consolidated subsidiaries for the year ended December 31, 1970, as mailed to all shareholders, was tabled in accordance with the Canada Corporations Act.

The President and Chief Executive Officer, Mr. Hendricks, addressed the meeting on the affairs of the Company.

The Chairman declared the meeting open for nominations for seven directors to serve a two-year term and the following shareholders were elected Directors of the Company:

W. J. Bennett
H. C. Bentall
N. R. Crump
R. Hendricks
R. A. MacKimmie, Q.C.
D. R. McMaster, Q.C.
I. D. Sinclair, Q.C.

On motion, Messrs. Thorne, Gunn, Helliwell & Christenson were appointed auditors of the Company until the next Annual General Meeting of Shareholders and, on motion, the Directors were authorized to fix the remuneration of the auditors.

The Chairman invited questions on the statements and reports submitted and regarding the affairs of the Company. Discussion followed.

On motion, the meeting terminated.

At a meeting of the Board of Directors held immediately following the shareholders' meeting, Mr. D. D. Morris tendered his resignation as Executive Vice-President and as a Director of the Company in accordance with the Directors' policy regarding retirement of officers. The Chairman expressed on behalf of the Directors their deep appreciation of Mr. Morris' forty-two years of service with the Company and of his many valuable contributions to the welfare of the Company. Mr. F. E. Burnet was elected a Director to hold office for the balance of the term for which Mr. Morris had been elected.

The following officers were elected for the ensuing year:

W. S. Kirkpatrick	— Chairman of the Company
R. Hendricks	— President and Chief Executive Officer
I. D. Sinclair, Q.C.	— Vice-President
F. E. Burnet	— Executive Vice-President

The following were elected as the Executive Committee for the ensuing year:

W. J. Bennett
F. E. Burnet
N. R. Crump
R. Hendricks
W. S. Kirkpatrick
D. R. McMaster, Q.C.
I. D. Sinclair, Q.C.

Address to the Shareholders at the Annual Meeting, Vancouver April 22nd, 1971 by R. Hendricks President and Chief Executive Officer

Copies of the 65th Annual Report of the Directors of the Company, covering the results of the past year, were mailed to all shareholders on the 29th of March and are available here. As you will see, net earnings for 1970 were $24.3 million compared with $30.3 million in 1969, while the total revenue of $270 million established a new record.

I do not intend to dwell on 1970's business, though naturally I will refer to it. I want, rather, to review some items of major concern to the Company. Before doing so I will give you the results of the first quarter of 1971, so that my remarks can be placed in the context of the latest information available.

First-Quarter Results:

The Company's unaudited financial results for the first quarter of 1971 show substantially lower figures than for the same period in 1970. Total revenue of $55.8 million compares with the $67.5 million reported in the first quarter of last year. Net earnings of $2.7 million compare with the corresponding 1970 figure of $8.9 million. Of the $6.2 million decline in net earnings, approximately $2 million is accounted for by the reduction of about 6½% in export revenue which resulted from the floating of the Canadian dollar. The remainder of the decline in net earnings resulted mainly from the substantial drop in prices received for metals in all markets. In the United States, for example, the drop in quoted prices amounted to 3¢ per pound for lead and ½¢ per pound for zinc. At mid-March, the United States zinc price recovered by ½¢ per pound and the Canadian price was increased by the same amount on April 1st. However, these increases had no effect on the Company's first quarter earnings. Increasing transportation and labour costs contributed to the attrition in earnings.

Refined metal sales remained at roughly the same volume as last year. Production of refined lead and zinc was reduced by about 14% in order to control inventories.

Although there was a minor improvement in earnings from chemicals and fertilizers, losses continue in most sectors of this business.

Potash:

The problems resulting from the flooding of our potash mine in Saskatchewan are summarized in the Annual Report. The rehabilitation program is continuing to make good progress, and most of the water has now been pumped out of the working areas. Recent examinations of the mine confirm preliminary indications that it has not been permanently damaged. Several major pieces of equipment have been brought to the surface and dismantled for closer examination, and it appears that most of the equipment can be restored. The extensive work required will take longer than originally anticipated and will be costly. To the end of March the costs of rehabilitating the mine and equipment had amounted to $3.2 million.

As stated in the Annual Report, legal counsel have advised that in their opinion there are good grounds for establishing liability against the contractors. In the meantime we are maintaining our market position by means of purchases from another producer in the area. This is within

the framework of regulations established by the Potash Conservation Board of the Province of Saskatchewan.

Taxation:
A matter greatly affecting the Company's future is the aggregate cost of taxation. A country's economic well-being is influenced to a large extent by its tax laws. During the past few years, Canadian economy has been severely hampered by the prospect of major income tax revisions. The implementation of many of the proposed revisions would be detrimental to all Canadian business and particularly to the foundation of our economy — the resource industries. At a time when so much money is being poured by Government into regional incentive schemes to promote employment, it is difficult to understand why Government would contemplate removing incentives and penalizing resource industries, the very industries which have always been the mainstay of regional employment. While it has immense natural resources, Canada is not the only source for these materials. Therefore, we cannot afford to impose a more restrictive tax structure on our resource industries than that imposed by other countries with which we compete. Failure by Government to recognize this could result in stimulating the growth of competitive countries while consigning Canadians to slow development and compounded problems of regional disparity and unemployment. Although the present tax system is by no means perfect, it has served Canada well. Discarding it will not eliminate the problems—many of them will remain and inevitably new ones will arise as the economy adjusts to a new system.

Canadian business, besides being threatened by increased income taxes, is confronted by serious acceleration in local taxes. In 1970, Cominco paid $9.0 million in municipal and school taxes and sundry levies. This is three times the amount we paid ten years ago. Increases of this magnitude cannot continue if industry is to fulfill its proper function in the economy.

The increasing demands of a socially conscious country result in pressure for more and more services from all governments — federal, provincial and municipal. The legitimate needs of our people must be met, but in meeting them it must not be forgotten that they can only be financed out of taxation. Governments cannot create the wealth needed to provide for the services demanded and to produce the job opportunities so urgently required by our young people. The funds to create these jobs can only come from a healthy private sector.

To satisfy the reasonable aspirations of our citizens, the Government should now consider reducing taxes on both individuals and corporations, rather than continue its preoccupation with tax reform.

Markets:
I should now like to deal with the short term markets for our principal products. The chemical and fertilizer business shows little change from a year ago. Fertilizer prices remain seriously depressed due to substantial over capacity. There are, however, some encouraging signs. In the United States, a trend to increased demand continues to gather momentum. In Canada, the Federal Government's 1970 LIFT program has improved the overall situation on the Prairies. In some sections of both United States and Canadian markets, prices are firming in response. While in the short term no sharp increases can be anticipated, over the long term we expect a return to reasonable earnings from the chemical and fertilizer segment of our business.

Let us now turn to lead and zinc. In 1970, the business slowdown in North America and in Europe resulted in a buildup of inventories and a fall in prices. However, following the settlement of the General Motors' strike and a general improvement in demand in North America, the first quarter of 1971 showed a significant reduction in inventories. In the past month the price of zinc rose by ½¢ a pound in the United States and Canada. If the reflationary efforts of government are successful and business activity continues to improve, it is logical to expect further increases in the price of both metals.

The controversy over the use of lead in gasoline has unquestionably had an adverse effect on the price of lead, even though it has had little effect on consumption. I dealt with this subject at some length in my address last year. Rather than deal with this complex matter again here, we have prepared a small publication which is available to you today and which will be included with the copy of my address mailed

to all shareholders. I hope that, after reading it, you will be in a better position to help allay some of the widespread misunderstanding of this important subject.

Although 1971 will be a difficult year for the Company and earnings may well be at the lowest level in recent years, I am confident that we have reached the bottom of the present cycle. Therefore, despite the problems I have dealt with, I believe we can view the short term prospects with a degree of cautious optimism and anticipate a trend towards improving earnings. In the longer term there is no doubt that Cominco has the resources to ensure its continued growth and economic prosperity. I should now like to outline for you the scope of these resources and therefore of the Company's strengths.

Resources:

The strength of any industry lies in its resources. Too often, people in the primary or extractive industries think only of the natural resources a company controls. While it is true that these are tremendously important, they are only part of the story. The total resources of Cominco which must all be mobilized if we are to prosper, include not only our natural and physical resources but also the most important resource of all — People.

Natural Resources:

First, consider our "Natural Resources" — the extensive mineral deposits the Company and its subsidiaries command.

The most important of these is the great Sullivan Mine. After 60 years of continuous operation, this mine still contains ore reserves in excess of 64 million tons — enough to ensure that it will be operating when the 21st Century dawns. The ultimate life of the mine is as yet unknown.

Of much more recent acquisition are the important ore bodies of the Pine Point Mines in the Northwest Territories. These were brought into production in 1965 and have current reserves of over 43 million tons. Here, too, their ultimate potential is still to be determined.

In the United States, Cominco American Incorporated has extensive reserves of phosphate rock in Montana. In addition, Cominco American manages and owns 50% of the Magmont Mine which currently has reserves of lead ore in excess of 14 million tons.

In Saskatchewan, our potash reserves contain more than 100 million tons of recoverable product. While the unfortunate flooding of this mine has temporarily suspended its operation, the long term importance of this resource remains of great significance to the Company.

The foregoing are our major mineral deposits. We also operate a number of mines which, though individually smaller, represent in aggregate a most important resource. These include the mercury deposit at Pinchi Lake, which is making a very significant contribution to earnings, the Coast Copper Mine on Vancouver Island, and the Con Gold Mine in the Northwest Territories.

In addition, several very important potential mines are in various stages of development. The largest of these is the colossal ore reserve of Valley Copper Mines Limited in the interior of British Columbia. This copper ore body is estimated to contain almost three-quarters of a billion tons of ore, which can be mined by opencast methods. Engineering studies have been completed. Negotiations to determine the feasibility of financing the development and marketing the product are in progress.

Our subsidiary, Vestgron Mines Limited, holds, through its subsidiary Greenex A/S, a prospecting concession at Marmorilik on the west coast of Greenland. A significant zinc-lead deposit in this concession was explored from the surface in 1966 and 1967. Drill cores show ore grades in excess of 20% combined zinc and lead. With the negotiation of satisfactory arrangements with the Danish Government in January 1971, the way is cleared for a major underground exploration program which is expected to be completed by the end of 1972. Following this $3.5 million underground program, a production decision can be made. A significant advantage of this property is its location a few hundred feet from the ocean, in an area open to navigation over six months of the year. Development crews will be housed aboard the "C.D. HOWE", an icebreaker purchased from the Canadian Government for this purpose.

At Rubiales, a small village in Northern Spain, a subsidiary company has outlined a potentially significant medium grade lead-zinc deposit. Shaft sinking and underground

development work are in progress and the ore body has been reached. This exploratory work will be completed by the end of next year and will provide sufficient information for a production decision.

In New Brunswick, the Company is participating with Anaconda American Brass Limited in the development of a copper property. Concentrate production from this 1,000 ton per day operation commenced last November. Underground exploration and metallurgical testing have also been conducted on a separate and potentially much larger lead-zinc-silver deposit.

Mines are a wasting asset, but the future of the Company and its subsidiaries is being assured by our world-wide exploration program. We are currently expending in excess of $10 million each year on this program. Our geologists examine several hundred mineral occurrences annually in their continuing search for new properties. Included in our current geological investigations are the detailed examination of the Company's extensive holdings in the nickel belts of Manitoba and Australia, and the exploration of other base metal properties in Northern Canada. In Africa we are investigating copper, lead, zinc and platinum prospects. The Company is participating in Panarctic Oils Limited and, as you know, this company has already located significant natural gas reserves.

Through these and other exploratory programs, the Company is extending its ore reserves of lead and zinc and broadening its mineral resource base by new discoveries and acquisitions.

Operating Plants and Facilities:

Let us now consider the second major resource of the Company, "Physical Resources" — its operating plants and facilities. The major operations in Trail, Kimberley and Calgary; in the Northwest Territories; in Saskatchewan; in three locations in the United States, have often been described. Add to these the operations of our subsidiary and affiliated companies (including those in the United Kingdom, Japan and India) and you will see we have an integrated network of production units which, in itself, comprises a tremendous resource. Particularly significant in today's world are some special aspects I would like to mention.

It is well known that at Trail we have one of the largest lead-zinc operations in the world. The Company's "total recovery" program is not so well known. The unique Trail plants, designed originally to treat concentrates from the extremely complex ores of the Sullivan Mine, recover not only lead, zinc and sulphur, but also a multiplicity of other elements including silver, cadmium, bismuth, indium, gold, and antimony. Because of their special capabilities, the plants are able to treat complex concentrates from virtually any source. This type of material cannot usually be handled either technically or profitably by other smelters.

The Trail and Kimberley chemical operations are based upon the recovery and utilization of sulphur gases from the metallurgical plants. For over 40 years, the Trail operations have developed increasingly effective systems for overcoming atmospheric and water pollution normally associated with the processing of sulphide ores. As a consequence, we operate the cleanest smelter complex in the world today. The transformation of otherwise obnoxious materials into useful by-products has long been fundamental to our business philosophy and processing procedures. Because of this ongoing philosophy, we are not faced with the technical problems and unproductive high capital costs now troubling others in the smelting and many other industries.

In addition to primary production, the Company and its subsidiaries also operate general cargo and bulk loading docks in the Vancouver area, and generate and distribute hydro electric power in the Kootenay and Okanagan regions of British Columbia. The spectrum of our secondary manufacturing facilities include steel plants in Hawaii and Western Canada, diecasting plants, and metal and alloy producing units. Our overseas investments include lead and zinc smelters in Japan and India, and production facilities for zinc alloys in Great Britain.

Organization:

Let us now turn to our third and most important resource — "Our People". Here we have a living structure that can grow and adapt, a vital organization that provides the means to channel human effort, ambition and enterprise.

The importance of the 10,000 employees of the Company and its subsidiaries lies not in their number, but in their quality and competence. It is through the efforts of these qualified people that the Company will continue to develop profitably in both our traditional business and in new areas of opportunity.

Our well qualified team of scientists and engineers has kept our metallurgical and chemical plants in the forefront of the industry. Of significance to the future is the work now being done in the development of a completely new lead smelting process. A pilot plant now under construction will provide the data upon which we will base the final engineering design.

In co-operation with others, we are developing a new hydrometallurgical process for the treatment of copper concentrates. The Company has already constructed a mini-plant for the processing of copper concentrates at Trail. I consider the development of this virtually pollution-free hydrometallurgical process an extremely important one to this Province. And we look forward to the possibility that, in the next few years, we may well see the domestic processing of concentrates from the Valley Copper project.

Because we are a resource based Company, in many ways our exploration staff is one of our most important human resources. This group carries a special responsibility as, in the final analysis, the future growth of the Company depends on their efforts. We are fortunate to have an outstanding group of geologists and engineers who have come to us with a worldwide breadth of experience. The success of our exploration programs is a good measure of their skill and effort.

Conclusion:

Before concluding, I should like to refer to the recent financing which was completed on April 15th. For the first time, the Company made a public offering of $65 million 8½% 20-year Debentures. It is an indication of the confidence placed in the Company by financial circles that this issue was fully subscribed. These funds, supplemented by money generated by the Company's operations, will be used to re-fund $40 million in short term notes to provide additional working capital and for new capital expenditures. It is expected that these new expenditures will be made mainly on projects resulting from our exploration activities, but they will also provide for the modernization of existing facilities.

I have given you a brief summary of the Company's major resources. To review them in greater detail would take more time than is available, but the more I review them, the more confident I become regarding the long term prospects of the Company; the more certain of its potential for growth; the more assured of its ability to provide its share of employment for Canada's expanding population.

We have the basic natural, physical and human resources. We ask only for a stable economic and political climate; one in which we can retain sufficient of the rewards of our enterprise to finance our future opportunities; an atmosphere in which we can grow for the ultimate benefit of our shareholders, our employees, and the Canadian society.

Following are the estimated consolidated sales and earnings of the Company for the three months ended 31st March, 1971 compared with those for the same period of 1970.

Interim Consolidated Statement of Earnings:
(Subject to year-end audit)

	Three months ended March 31, 1971	March 31, 1970
Sale of products	$54,300,000	$66,200,000
Other revenue	1,500,000	1,300,000
	$55,800,000	$67,500,000
Earnings before the following items	$10,500,000	$20,000,000
Add:		
Income from investments	300,000	800,000
	$10,800,000	$20,800,000
Deduct:		
Depreciation and depletion	$ 6,900,000	$ 6,900,000
Income taxes	400,000	3,700,000
Minority interest in net earnings of consolidated subsidiaries	800,000	1,500,000
Earnings before extraordinary items (per share $0.16; 1970 $0.52)	$ 2,700,000	$ 8,700,000
Extraordinary items	—	200,000
Net earnings	$ 2,700,000	$ 8,900,000
Net earnings per share	$ 0.16	$ 0.53

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Cominco

Cominco Ltd.

Comparative Interim Financial Statements

for the six months ended
30 June, 1971

To The Shareholders:

The consolidated statements of earnings and source and application of funds of the Company for the first half of 1971 with comparative statements for the first half of 1970 (restated) are submitted below. Pine Point Mines Limited, Coast Copper Company, Limited, Hill Chemicals, Inc. and all wholly-owned subsidiaries are consolidated in these statements. Hill Chemicals, Inc. is consolidated in the 1971 figures only. This company was not a subsidiary during the first half of 1970.

Net earnings were down from those for the same period last year mainly due to the lower lead price averaging 3¢ a pound less than for the same period last year. All other metallurgical product prices also declined, particularly copper and mercury, and the results were accentuated by an almost 6% adverse exchange difference due to the strength of the floating Canadian dollar. Sales volume of major metallurgical products was generally maintained at the same level as last year, except for silver which was lower. Although the contribution to earnings from fertilizer operations was not material, there was some improvement in the results as compared with the situation a year ago. Rehabilitation of the potash mine is continuing and has resulted in an accumulated expenditure of $4 million to the end of June, 1971.

The price of zinc increased ½¢ a pound at the beginning of April and ½¢ in mid May in the United States and in mid June about 2½¢ in markets outside North America. The price of lead increased ½¢ a pound in late June. Some effect of these increases was felt in our earnings for the first half of the year. A lower value for the floating Canadian dollar developed in early June which, if sustained, will improve earnings on export sales. It is difficult to forecast these factors under current economic conditions, but it is estimated that earnings for the last half of 1971 will be slightly under those for the first half of the year.

R. HENDRICKS

2nd August, 1971. *President and Chief Executive Officer*

Consolidated Statement of Earnings *(subject to year-end audit)*

	Six months ended 30 June 1971	1970
	(thousands of dollars)	
Sales of products	$134,100	$150,600
Other revenue	2,900	2,500
	137,000	153,100
Earnings before the following items	27,700	40,500
Add:		
Income from investments	700	1,800
	28,400	42,300
Deduct:		
Depreciation, depletion and amortization of deferred charges	14,800	14,000 *
Income taxes	3,100	8,200 *
Minority interests in net earnings of consolidated subsidiaries	2,100	3,500 *
Earnings before extraordinary items	8,400	16,600 *
Extraordinary items	700	—
NET EARNINGS	$ 9,100	$ 16,600 *
Earnings per share before extraordinary items	$ 0.50	$ 0.99 *
Net earnings per share	$ 0.55	$ 0.99 *

Note: Extraordinary items:

Reduction in income taxes of a consolidated subsidiary resulting from losses and tax credits of prior years	$500,000
Sale of investment	$200,000

Consolidated Statement of Source and Application of Funds *(subject to year-end audit)*

	1971	1970
Source of Funds:		
Net earnings for the period, before extraordinary items	$ 8,400	$ 16,600 *
Add:		
Depreciation, depletion and amortization of deferred charges	14,800	14,000 *
Income taxes not currently payable	(900)	1,500 *
Net increase (decrease) in long-term borrowings	32,000	(1,900)
Minority interest in net retained earnings of consolidated subsidiaries	600	(3,600) *
	54,900	26,600
Application of Funds:		
Capital expenditures		
Investments, net	4,900	9,800
Property, plant and equipment, net	9,300	9,000
Dividend	5,800	11,700
Increase in sundry non-current items	3,000	—
	23,000	30,500
Increase (decrease) in working capital	$ 31,900	$ (3,900)

*Restated to reflect a change in the depreciation and income taxes of Pine Point Mines Limited.

Others announced the almost immediate production and marketing of low-lead or no-lead gas, generally, at added cost to the motorist. It is interesting to note that the sales experience of most of those in this last category suggest that despite emotional appeal and massive product promotion, the motorist is not willing to pay a premium price for what he considers inferior performance.

Unfortunately, in this controversy, the original objective of the drive — to reduce exhaust emissions — was lost sight of and in the highly charged, emotional atmosphere which developed, somehow the finger was directed at lead itself as being the key pollutant and the greatest hazard to health. In this almost hysterical context many "get-the-lead-out" proposals developed which made proper assessment of facts virtually impossible.

The facts of the case, of course, simply do not support this pollution oriented, anti-lead campaign.

The preponderance of highly qualified independent medical and scientific evidence shows that the public is not facing a health hazard from lead released to the atmosphere.

The point is — It is not what goes into the tank that counts, it is what comes out of the tail pipe!

April 22, 1971

Vancouver, B.C.

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The Automobile and Atmospheric Pollution

Cominco

This publication has been prepared to set out the facts of the case and to highlight the significant considerations involved.

The Automobile and Atmospheric Pollution

A great deal is said today about the population explosion and its effect upon various facets of national life. One facet, which is particularly stressed, and which affects virtually everyone in major urban areas, is the atmospheric pollution resulting from the ever-increasing number of automobiles.

Cominco endorses the importance of developing an effective system to control the emissions of automobile exhausts. There is no question that this development, and the decisions required to attain this fundamental objective, can best be achieved on the basis of dispassionate, scientific facts.

We must avoid hasty, unwarranted, emotional legislation

that could compound pollution problems. We must provide proper freedom to industry, within realistic guidelines, to ensure that the best technological and economic solution is ultimately reached.

The internal combustion engine is an efficient power plant and without it modern society would face many problems. While the engine has been developed by the advanced technology of the 20th Century to a high level of performance as far as its power development potential is concerned, technology has not provided it with the same degree of efficiency when it comes to pollution control.

In recent years significant progress has been made in automobile emission control

but it is still a serious problem in some of our larger North American cities. To combat this unacceptable situation an aggressive drive is now under way.

What is the objective of this drive? Simply stated, it is to reduce the emissions from automobiles to acceptable levels even in areas of maximum concentrations of vehicles. The role of government in this situation should be, (1) to develop proper guide lines to which automobile manufacturers and the petroleum industry shall conform, (2) to establish the timetable for necessary changes, and (3) to provide the monitoring organization required to ensure compliance. It should not be the responsibility of government to say how these standards shall be achieved. This should be left to the initiative and competence of the industries concerned.

Emission from automobile exhausts comprises hydrocarbons, oxides of nitrogen, water vapour, carbon dioxide, carbon monoxide and other gases in lesser amounts plus minor quantities of solids.
As already stated,

the basic objective of the present drive is to reduce these emissions to a level which will no longer pollute the atmosphere.

The minimum requirement to achieve this will be to adhere to government legislative standards as and when enacted. At the same time, it is important that the present efficiency of the motors and their economic operation be maintained.

Faced with this objective certain car manufacturers stated, early in 1970, that they would meet the proposed 1975 U.S. Federal Standards by the installation of an additional piece of equipment — a catalytic muffler. They further stated, that such a muffler would not perform in the presence of lead from the gasoline — the same lead which, since the early 1920's has contributed significantly to increased engine efficiency and conservation of petroleum resources.

These catalytic mufflers have yet to make an appearance on a production line car. In contrast, at least one competing device for automotive emission control has already been built which will meet or better the original 1975 pollution control standards while using existing gasolines. Furthermore this device has been successfully tested on production vehicles.

The oil industry on the other hand reacted in widely varying ways: Some companies pointed out that

the production of non-leaded gasoline would require a multi-billion dollar revision to refinery equipment and would require 5% to 8% more crude oil

to produce the same amount of gasoline if octane ratings are maintained.

Other companies, quoting U.S. Bureau of Mines research findings, suggested that if aromatic compounds were used to achieve equivalent octane ratings, photochemical smog might actually increase and exhaust emissions might be even more detrimental to health.

Some gasoline manufacturers indicated their readiness to discontinue the use of lead-based additives if and when an effective device was actually produced which required unleaded gasoline for its successful operation.

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COMINCO LTD.

Notice of Annual General Meeting of Shareholders

NOTICE IS HEREBY GIVEN that the annual general meeting of the shareholders of Cominco Ltd. will be held in the Vancouver Island Room, Hotel Vancouver, 900 West Georgia Street, Vancouver, British Columbia on Thursday, the 22nd day of April, 1971, at the hour of 11:00 o'clock in the forenoon (Vancouver Time) for the following purposes:

1. to receive the report of the directors and the consolidated financial statements of the Company and its consolidated subsidiaries for the fiscal year ended December 31, 1970;
2. to elect directors;
3. to appoint auditors;
4. to authorize the directors to fix the remuneration of the auditors; and
5. to transact such other business as may properly be brought before the meeting or any adjournment thereof.

DATED at Vancouver, B.C. this 11th day of March, 1971.

By order of the Board,

C. H. B. FRERE, *Secretary*

Note: If you are unable to attend the meeting in person, you are requested to sign and return in the enclosed envelope the enclosed form of proxy at least twenty-four hours before the time fixed for holding the meeting.

Information Circular

Solicitation of Proxies

This information circular is furnished in connection with the solicitation of proxies by the management of Cominco Ltd. (the "Company") for use at the annual general meeting of the shareholders of the Company to be held on Thursday, the 22nd day of April, 1971, at 11:00 o'clock in the forenoon (Vancouver Time) at the place and for the purposes set forth in the accompanying notice of meeting.

The enclosed proxy is solicited by the management of the Company and the cost of solicitation will be borne by the Company. The Company may also reimburse brokers and other persons holding shares in their names, or in the names of nominees, for their services incurred in sending proxy material to principals and obtaining their proxies. Such cost is expected to be nominal and the Company does not expect to pay any compensation for the solicitation of proxies.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are directors of the Company. A SHAREHOLDER HAS THE RIGHT TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING. If a shareholder wishes to designate as his nominee some person other than the persons named in the form of proxy, their names should be struck out and the name of the nominee inserted in the blank space.

A shareholder executing the enclosed form of proxy has the power to revoke it at any time insofar as it has not been used.

Voting of Proxies

It is not intended to use the proxy for the purpose of voting upon the consolidated financial statements of the Company and its consolidated subsidiaries for the fiscal year ended December 31, 1970 and the reports of the directors and auditors thereon, which will be placed before the meeting.

The shares represented by the accompanying form of proxy will be voted on every motion on which a ballot is taken at the meeting and, where a choice with respect to any matter to be acted upon has been specified in the form of proxy, the shares will be voted in accordance with the specification so made. SUCH SHARES WILL BE VOTED FOR THE APPROVAL OF ANY MATTER FOR WHICH NO SPECIFICATION HAS BEEN MADE.

The form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and other matters which may properly come before the meeting. At the time of the printing of this information circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting. If matters which are not now known should properly come before the meeting the form of proxy will be voted on such matters in accordance with the best judgment of the person voting it.

Voting Shares and Principal Holders Thereof

Every shareholder of record is entitled to give one vote for each share held by him at all meetings of shareholders of the Company and such vote may be given in person or by proxy, whether or not such proxy is himself a shareholder.

All shareholders of record at the time of the annual general meeting or any adjournment thereof will be entitled to attend the meeting and to vote the shares held by them.

At the date hereof, 16,698,583 common shares without par value of the Company were issued and outstanding as fully paid and non-assessable. Canadian Pacific Investments Limited is the beneficial owner of record of more than 10% of the outstanding common shares of the Company, and owns 8,879,661 shares or 53.18% as at the date hereof.

Election of Directors

At the meeting seven directors are to be elected, each to hold office for a term of two years or until his successor is elected or appointed. IT IS INTENDED THAT THE SHARES REPRESENTED BY PROXIES SOLICITED BY AND ON BEHALF OF THE MANAGEMENT OF THE COMPANY WILL BE VOTED IN FAVOUR OF THE ELECTION OF THE SEVEN PERSONS HEREINAFTER NAMED, each of whom it is proposed to nominate for election as a director. In the event that prior to the annual general meeting any vacancies occur in the slate of nominees hereinafter named, it is intended that discretionary authority shall be granted to vote the proxy for the election of any other person or persons as directors. The management is not presently aware that any of such nominees would be unwilling to serve as director if elected.

Information concerning Nominees as Directors whose term of office will expire at the Annual General Meeting in 1973

Name	*Principal occupation or employment and position, if any, with the Company*	*Director since*	*Approximate number of common shares of the Company (or its subsidiaries) beneficially owned*
W. J. Bennett	President, Iron Ore Company of Canada, Montreal	April, 1967	100
H. C. Bentall	President, Dominion Construction Co. Ltd. Vancouver	April, 1969	100

Name	Principal occupation or employment and position, if any, with the Company	Director since	Approximate number of common shares of the Company (or its subsidiaries) beneficially owned
N. R. Crump	Chairman of the Company, Canadian Pacific Railway Company, Montreal	April, 1956	1000
R. Hendricks	President & Chief Executive Officer, Cominco Ltd., Vancouver	April, 1958	1300
R. A. MacKimmie, Q.C.	Partner in the law firm of MacKimmie Matthews, Calgary	February, 1969	25 (50 Pine Point Mines Limited)
D. R. McMaster, Q.C.	Partner in the law firm of McMaster, Meighen, Minnion, Patch & Cordeau, Montreal	March, 1962	1485
I. D. Sinclair, Q.C.	President and Chief Executive Officer, Canadian Pacific Railway Company, Montreal Vice-President, Cominco Ltd.	April, 1967	100

Information concerning Directors whose term of office will continue after the Meeting and will expire at the next Annual General Meeting

Name	Principal occupation or employment and position, if any, with the Company	Director since	Approximate number of common shares of the Company (or its subsidiaries) beneficially owned
F. S. Burbidge	Vice-President, Marketing & Sales Canadian Pacific Railway Company, Montreal	April, 1970	50
G. A. Hart, M.B.E.	Chairman and Chief Executive Officer, Bank of Montreal, Montreal	December, 1958	50
W. S. Kirkpatrick	Chairman of the Company, Cominco Ltd., Montreal	December, 1953	1285
D. D. Morris	Executive Vice-President Cominco Ltd., Vancouver	April, 1968	604
S. E. Nixon	Vice-Chairman, Dominion Securities Corporation Limited, Montreal	April, 1966	100
Hon. Duff Roblin, P.C., C.C.	President, Canadian Pacific Investments Limited, Montreal	April, 1970	200
Hon. J. Sinclair, P.C.	Deputy Chairman, Canada Cement Lafarge Ltd., Vancouver	April, 1966	300

Note: 1. The information as to common shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective Directors individually.

2. Each of the above named persons has been a senior officer of the company or firm indicated for at least five years, except the Honourable Duff Roblin, P.C., C.C., former Premier of the Province of Manitoba.

Remuneration and Benefits to Directors and Officers

In connection with the election of directors, the information tabulated below is given for the last completed financial year ended December 31, 1970, with respect to the remuneration of directors and senior officers of the Company:

(a)	Aggregate direct remuneration paid or payable to the directors and senior officers of the Company and its subsidiaries whose financial statements are consolidated with those of the Company	$921,331
(b)	Aggregate direct remuneration paid or payable to such directors and senior officers by the subsidiaries of the Company whose financial statements are not consolidated with those of the Company	$ 14,712
(c)	Estimated aggregate cost to the Company and its subsidiaries in the Company's last completed financial year, of all annual pension benefits proposed to be paid under any normal pension plan in the event of retirement at normal retirement age, directly or indirectly, by the Company or any of its subsidiaries to the directors and senior officers of the Company	$ 38,110

No options have been granted to the above persons to purchase shares of the Company or any of its subsidiaries.

Interest of Management and others in Material Transactions

The Company made additional advances to Fording Coal Limited totalling $5,354,000 which, together with the advances made in 1969, were converted into 3,200,000 shares at $2 per share of the capital stock of Fording Coal Limited.

The Company entered into an agreement in January, 1971 for the development by Fording Coal Limited of the Company's Elk River coal lands in the Crowsnest Pass area of British Columbia.

By a Memorandum of Understanding with Canadian Pacific Investments Limited (CPI), dated 1st October, 1970, the Company agreed that should capital expenditures be required by Fording to complete the Fording River coal project, the Company would make available or ensure to Fording or guarantee any loan that might be required to the extent of 40% of the moneys required and CPI would assume the remaining 60%.

Pursuant to an agreement dated 14th May, 1970, Pacific Coast Bulk Terminals Ltd. was merged with Pacific Coast Terminals Co. Ltd. As a result of the amalgamation and of the acquisition of additional shares, the Company has a 78.2% equity in Pacific Coast Terminals Co. Ltd. Canadian Pacific Investments Limited has a 19.41% equity in that company.

Pursuant to an agreement dated 10th April, 1970, the Company agreed to loan to Valley Copper Mines Limited up to an additional $5 million for a total of $6 million. The Company continued in 1970 with its exploration of Valley Copper property in connection with a study being made as to the feasibility of the property being brought into production.

Management Contracts

The Company continues management on a no-profit, no-loss basis of the properties of its subsidiaries Pine Point Mines Limited and Coast Copper Company, Limited.

Appointment and Remuneration of Auditors

At the meeting, the shareholders will be called upon to appoint auditors to hold office until the next annual general meeting of shareholders and to authorize the directors to fix the remuneration of the auditors so appointed.

IT IS THE INTENTION OF THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY TO VOTE THE SHARES REPRESENTED THEREBY FOR THE APPOINTMENT AS AUDITORS OF THE COMPANY OF THE FIRM OF THORNE, GUNN, HELLIWELL & CHRISTENSON, the present auditors (successors to Helliwell, Maclachlan & Co.), who have been the Company's auditors for more than five years.

The shares represented by the enclosed form of proxy will be voted for or against the proposal that the directors be authorized to fix the remuneration of the auditors in accordance with the choice of the holder of such shares as specified in the completed proxy. IF NOT OTHERWISE SPECIFIED BY THE SHAREHOLDER, the shares represented by such proxy will be voted for the said proposal.

Dated — 11th March, 1971.

Production — Ore Reserves — Metal Prices

LEAD AND ZINC PRODUCTION AND RESERVES

Mine	Production 1971		Production 1970		Reserves 1971		Reserves 1970	
	Ore tons	Lead & Zinc Grade %	Ore tons	Lead & Zinc Grade %	Ore tons	Lead & Zinc tons	Ore tons	Lead & Zinc tons
Sullivan	1,980,000	11.3	2,121,000	9.0				
Bluebell	257,000	9.7	246,000	10.0	65,000,000	7,000,000	66,000,000	7,200,000
H. B.	Not Operated		Not Operated					
Pine Point	3,890,000	9.1	3,860,000	10.1	41,900,000	3,520,000	43,500,000	3,720,000
Pine Point*	—	—	93,000	36.0				
Magmont	1,040,000	8.5	859,000	11.9	12,600,000	1,000,000	13,800,000	1,200,000

*Direct shipping ore

Note: Above figures include entire production and reserves at Pine Point and Magmont.

CANADIAN METAL PRICES (cents per pound)

	1971 Dec. 31	1971 Average	1970 Average
Lead	13.5	13.50	15.81
Zinc	17.0	16.12	15.32

CONTAINED LEAD AND ZINC IN ORE PRODUCED

	1971	1970
Tons	692,000	742,000

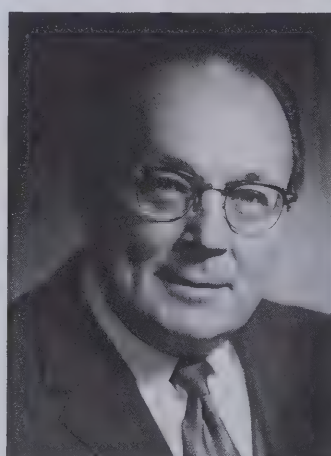
Output of Principal Products

Year	(1) Lead Short Tons	(1) Zinc Short Tons	(4) (6) Ores & concentrates produced for sale Short Tons	(2) (6) Silver Ozs.	(2) Cadmium Short Tons	(5) Fertilizer Short Tons	(3) Iron & Steel Short Tons
1962	152,217	199,393	31,919	6,667,813	1,059	714,335	31,441
1963	155,001	194,159	35,849	6,847,606	1,019	708,548	37,678
1964	151,372	199,011	41,296	7,347,590	945	739,080	83,992
1965	186,484	213,082	109,502	6,415,230	359	754,550	180,889
1966	184,871	221,871	268,057	6,609,110	787	965,435	188,099
1967	187,567	202,015	274,649	5,211,761	657	995,974	200,715
1968	199,258	209,994	238,964	6,936,485	701	920,504	220,379
1969	195,822	225,054	330,944	5,705,130	715	798,680	250,148
1970	219,396	221,600	391,369	6,044,600	630	1,073,511	254,609
1971	191,196	211,179	274,853	5,559,823	597	1,088,508	175,074

(1) Metallic zinc prior to 1967, refined zinc thereafter. Refined lead includes Magmont commencing 1968.
(2) Includes metals sold in unrefined products.
(3) Includes Western Canada Steel Limited from August 1, 1964.
(4) Includes Coast Copper Company, Limited from July 1, 1969.
(5) Includes Hill Chemicals, Inc. from January 1, 1970.
(6) Includes Aberfoyle Limited from September 1, 1971.

66th Annual Report of the Directors

R. Hendricks



F. E. Burnet

To the Shareholders:

Total net earnings for 1971 were $15.7 million or 94 cents per share compared with $24.3 million or $1.45 per share in 1970. Earnings before taking into account extraordinary items were $12.3 million or 74 cents per share compared with $24.2 million or $1.44 per share in 1970. A detailed review of activities commences on page 4 and the consolidated financial statements for 1971 commence at page 8.

Various factors caused the decline in earnings in 1971. Foremost among these was the lower return for metal products. In addition increased costs of labour, materials and supplies, of distribution of products, and the higher exchange rates for the Canadian dollar, the imposition of 10% duty surcharge by the United States in August and strikes in customers' plants, contributed to the decline.

Despite relatively weak base metal markets in 1971 lead and zinc prices tended upward during the first half of the year. Lead prices began to rise in overseas export markets early in 1971 and remained stable in North America until mid-year. However as a result of the imposition of the 10% duty surcharge, lead prices overseas dropped sharply. The removal of the surcharge on December 20th and the general realignment of world currencies restored the upward trend in lead prices. The steps taken in the United States did not diminish the strength of zinc markets and prices of zinc which rose in the first half of 1971 held firm.

Consumption of lead and zinc increased marginally. Producers' stocks of both metals which had accumulated during 1970 reached a peak early in 1971 and then decreased significantly. This reduction was accelerated by the announced closures of smelters in the United States and Great Britain which had a combined annual capacity of some 500,000 tons of zinc and almost 40,000 tons of lead.

Consistent with the pattern in recent years approximately one-quarter of the refined lead and zinc produced by the Company at Trail, British Columbia was sold in Canada. The remainder was sold chiefly in the United States and Great Britain.

Fertilizer supplies in North America again exceeded demand and prices continued at unreasonably low levels. As in the case of metals, the decrease in the value of the United States' dollar in relation to Canadian currency adversely affected returns from fertilizer sales in the United States.

The rehabilitation program which followed the flooding of the Vade potash mine in Saskatchewan in 1970 made

good progress throughout the year. The Company's potash markets were maintained in 1971 by purchases from other producers.

In April the Company successfully marketed 8½% 20-year debentures in the amount of $65 million. The proceeds, augmented by funds generated from operations, are being used to repay medium term loans amounting to $40 million and for capital expenditures and working capital.

Consolidated net capital expenditures amounted to $42.5 million. The most important project that was completed during 1971 was the modernization and expansion of the Trail zinc plant. In Australia a 55% interest was acquired in the established mining company, Aberfoyle Limited, which will provide a diversified operating base in tin and tungsten in Australia and additional important exploration opportunities. Working capital at December 31st amounted to $96.8 million, an increase of $11.2 million over the previous year. This change is accounted for in the statement of source and application of funds included with the financial statements.

Approximately $11 million was spent in 1971 on a widely diversified exploration program as outlined in the review of activities. These expenditures were made in accordance with the Company's policy of maintaining and extending ore reserves in existing mines, developing zinc and lead ores at new locations and of diversifying operations through the discovery of other mineral resources.

A significant discovery of ore was made on Little Cornwallis Island in the Canadian Arctic. On the west coast of Greenland an extensive underground exploration program was commenced on the Greenex deposit and results are verifying the existence of substantial ore reserves. In Northern Spain shaft sinking at the Rubiales property proceeded on schedule and continues to confirm surface drilling results. Each of these is a zinc-lead project.

Valley Copper Mines Limited reports that discussions continued throughout the year on the financing and marketing arrangements required to bring its important property in British Columbia into production. While considerable interest was shown by a number of potential purchasers of copper concentrate, the generally depressed state of the copper market aggravated by the uncertainty of tax reform in Canada, made it impossible to complete satisfactory arrangements. Discussions are continuing.

Panarctic Oils Ltd. in which the Company holds a 9% interest made its third significant discovery of natural gas in the Arctic.

At the Fording Coal property in Southeastern British Columbia all major items of equipment were installed and under test at the year-end. Initial shipments of coal to Japan are expected to commence early in April. The Company manages this property and has a 40% interest in Fording Coal Limited.

Having reached normal retirement age Mr. D. D. Morris retired at the Annual Meeting in April. Mr. F. E. Burnet replaced him on the Board of Directors and was elected Executive Vice-President.

Upon Mr. W. S. Kirkpatrick's retirement as Chairman of the Company and from the Board on December 31st, Mr. R. Hendricks was elected Chairman and Chief Executive Officer and Mr. F. E. Burnet was elected President. Mr. G. H. D. Hobbs was elected Executive Vice-President and replaced Mr. Kirkpatrick as a director.

Mr. Kirkpatrick's 46 years and Mr. Morris' 42 years of valued service with the Company and their many outstanding contributions to its growth and development are deeply appreciated.

In February Mr. S. M. Rothman was appointed Vice-President and General Manager, Production, and in July Mr. G. N. Moore was appointed Vice-President, Eastern Region.

The Directors express their appreciation to all employees for their individual and collective efforts which have materially assisted the Company during another year of world-wide economic problems.

On behalf of the Board of Directors.

R. Hendricks

Chairman and Chief Executive Officer

F. E. Burnet

President

Vancouver, British Columbia, 9th March, 1972.

Review of Activities:
(Figures for 1970 in brackets)

Metals:

Production of metals from all sources in 1971 included the following:

Zinc	211,000	(222,000)	tons
Lead	191,000	(219,000)	tons
Silver	5.6*	(6.0)*	million ounces
Cadmium	597*	(630)*	tons
Bismuth	89	(116)	tons
Antimonial Lead	162	(356)	tons
Indium	394,000	(898,000)	ounces

*Includes metal paid for in products sold.

Metal and concentrate production in 1971 was adjusted to meet market and inventory requirements.

The Bluebell lead-zinc operation at Riondel, British Columbia was operated on a salvage basis during its final year of production. Comprehensive exploration drilling failed to indicate any significant mineralization that could have extended the life of the mine. As a result British Columbia's oldest known lead-zinc mine, which produced close to five million tons of ore during the last 20 years of its life, has been shut down.

The Company's share of lead from the Magmont mine at Bixby, Missouri amounted to 28,000 (34,000) tons.

Sixty percent of the refined silver production originated from Company mines.

The Pinchi Lake mine near Fort St. James, British Columbia produced 248,000 (390,000) tons of mercury ore. Production of mercury ore was restricted in 1971 to meet market requirements. The open pit was operated during the summer months and accounted for 26% (56%) of the total ore produced. The 1971 exploration program was very successful with reserves at year-end exceeding those of a year ago.

Gold production from Company sources totalling 77,000 (52,400) ounces came principally from the Con mine at Yellowknife, Northwest Territories. Escalation of production costs and uncertainties as to the continuation of payments under the Emergency Gold Mining Assistance Act and the future price of gold resulted in a decision to restrict mine development work at the Con mine to existing mining areas.

In January, a fire destroyed most of the Company's hydroelectric plant at Yellowknife but the Con mine continued to operate on purchased power until repairs were completed in mid-November.

Production of pig iron at Kimberley was sharply curtailed following severe damage to the 200-ton per day electric furnace in January 1971. Restoration of the furnace has been deferred pending completion of studies to determine its future use. Production for the year was limited to the 100-ton per day furnace and beginning in mid-August all iron produced was converted to steel.

All sources of industrial plant emission to the atmosphere were registered with the Pollution Control Branch prior to December 31, 1971 in compliance with the requirements of the Pollution Control Act of British Columbia. As in the past comprehensive tests of the atmosphere, vegetation, plant effluents and related matters were carried out at all operations as part of the Company's continuing anti-pollution program.

Chemicals and Fertilizers:

Total fertilizer produced in 1971 from all sources was 1,089,000 (1,074,000) tons.

All fertilizer production at Trail and Kimberley except ammonium nitrate involves processes which utilize sulphur from the Company's metallurgical operations and the Company will continue to produce these fertilizers as part of its pollution control measures. The entire output of fertilizer was sold in Canada and the United States.

The upturn in the farm economy of Western Canada during 1971 resulted in a partial recovery from the lower volume of sales of fertilizers in the two previous years. Although there has been some diversification of farming activities on the Prairies, the sale of wheat is still the key factor affecting fertilizer consumption in this market. The outlook is for increased fertilizer consumption in North American markets but demand is not expected to equal production for several years because of the existing excess production capacity of manufacturers' plants. Sales of chemicals for industrial purposes continue to improve in both volume and price.

Good progress was made in the rehabilitation of the Vade potash mine in Saskatchewan, which was flooded in August, 1970. Water flows were sealed off and the mine was completely dewatered. The restoration of underground equipment proceeded satisfactorily. Aggregate cost of the work to the end of 1971 was $5,900,000. It is planned that production will be resumed in the latter part of 1972.

Exploration:

In addition to the Company's major exploration activity in Canada substantial programs were carried out during the year in the United States, Greenland, Spain, Australia, Mexico and Southwest Africa. Total expenditures on exploration in 1971 amounted to approximately $11 ($9) million.

A significant discovery of zinc-lead ore was made on Little Cornwallis Island in the Canadian Arctic. Nine widely-spaced drill holes indicated substantial thicknesses of mineralization assaying more than 20% combined zinc and lead. Geological evidence suggests the occurrence of a deposit of major size. The property is held by Arvik Mines Ltd. in which the Company has a 75% interest.

Following completion of satisfactory arrangements with the Danish Government covering mining and royalty terms, an underground exploration program was commenced on the Greenex zinc-lead deposit located on the west coast of Greenland. The former Canadian Arctic patrol vessel "C. D. Howe" is being used as a floating base camp. A cable-car system to the mine portal some 2,500 feet above the deep water fiord was installed and during 1971 roughly 2,000 feet of tunnel and 12 diamond drill holes were completed. This underground program and a preliminary feasibility study are expected to be finished by mid-1972. At year-end the results of the underground work were verifying the ore grades of better than 20% combined zinc and lead as indicated by earlier surface drilling. The previously indicated ore reserves of 2.5 million tons have been substantially increased. The mining concession is held by the Danish company, Greenex A/S, in which the Company holds, through a subsidiary, a 61.5% interest.

Shaft sinking on the Rubiales zinc-lead property in Northern Spain proceeded on schedule and by December 31st a depth in excess of 1,000 feet had been reached. A detailed underground assessment of this medium-grade deposit was in progress at the end of the year. Results of the work completed in 1971 support previous estimates of tonnage and grade. The Rubiales mining concessions are held under lease by a subsidiary company, Exploracion Minera Internacióna1 (España) S.A. in which the Company holds a 63% interest.

Panarctic Oils Ltd. in which the Company has a 9% interest made a third significant discovery of natural gas late in the year in a well drilled on Ellef Ringnes Island in the Northwest Territories. This island is situated some 40 miles north of King Christian Island where a substantial discovery was made in 1970. The economics of transporting gas from the Arctic to southern markets by pipeline are being studied and the potentially large size of the gas fields discovered to date is a very important and favourable factor.

No significant new work was done on the property of Valley Copper Mines Limited in which the Company holds a 70% interest. Previous work on this property in the Highland Valley area of British Columbia has outlined at least three-quarters of a billion tons of ore, grading 0.48% copper, which can be mined by open-pit methods.

Copper mining and milling operations at the Caribou mine in New Brunswick operated by Anaconda American Brass Ltd. were suspended near the year-end as a result of metallurgical problems. The Company holds a 25% interest in this property.

Research:

The encouraging results of the investigation of a pollution-free hydrometallurgical process for the recovery of copper metal from concentrates led to an agreement with Sherritt Gordon Mines Limited to bring together the discoveries of both companies in this important field of metallurgical research.

The construction at Trail of a pilot plant to test the Company's unique oxygen lead smelting process was nearing completion at year-end. This plant will have a daily capacity of 60 tons of lead bullion and the object of this large-scale test is to establish the design data for a full size plant.

The research group operate electronic materials plants which produced at capacity throughout 1971. A wide range of sophisticated and ultra high purity products used in the electronic industry is manufactured. This activity is making an increasingly important contribution to earnings.

The Product Research Centre at Sheridan Park, Ontario continues its active development of new uses for zinc and lead. Most significant among these is the work on the development of super-plastic zinc for sheet metal forming applications, zinc screw machine alloys and new alloys for lead batteries. The various international research and development associations which the Company supports continued their efforts to promote further use of these metals and to dispel common misunderstandings about the effect of lead in gasoline.

New Developments:

The zinc modernization and expansion program which was started in 1969 and which cost in excess of $20 million was completed. At year-end the two new large fluid bed roasters with an annual capacity in excess of 300,000 tons of contained zinc were operating successfully. The obsolete roasters were shut down on schedule. During the year the Company commenced commercial production of its new continuous cast ton-size zinc ingots which are being well received by customers.

The feasibility of producing blister copper at Kimberley was under active study at the year-end.

The first stage of the modernization program for the ammonium phosphate fertilizer plant at Trail was commenced late in 1971.

With the assurance of a supply of gas, the natural gas ammonia plant at Trail resumed production in December. A new oxygen unit to supply the requirements of the metallurgical plants will be in operation in mid-1972. These changes make possible the closure of the high-cost electrolytic ammonia plant and will release substantial quantities of electrical energy needed elsewhere.

Power:

Total power generation from the Company's five hydro-electric plants on the Kootenay and Pend-d'Oreille Rivers in British Columbia was 3.77 (4.06) billion kilowatt hours. Surplus energy was sold when markets were available. During the year two 90,000 K.W. generating units at the Waneta plant and one 17,000 K.W. unit at the South Slocan plant were completely overhauled. A new turbine was installed in one of the small units in the Upper Bonnington plant. Late in the fall work commenced on the relocation of a section of the transmission line to Kimberley. This relocation was required for the new 500,000 K.W. Canal Plant being

constructed by British Columbia Hydro and Power Authority at South Slocan. To facilitate construction of this plant certain rights associated with the Company's river improvements and water storage were granted to B.C. Hydro.

Personnel:

In 1971, 248 (106) employees retired from active service and at the year-end there were 1,899 (1,738) former employees and widows receiving retirement benefits.

Labour supply improved throughout the year and accelerated employee training programs proved beneficial in meeting the Company's requirement of skilled employees. Collective agreements covering hourly-paid employees were renewed at several of the Company's operations for periods ranging from 24-27 months and these agreements will not expire until 1973. An initial agreement covering employees at Fording Coal operations was negotiated with the United Steel Workers of America. This agreement became effective April 6, 1971 and expires December 31, 1973. At the year-end negotiations were in progress for renewal of the agreement at the Company's potash property in Saskatchewan.

At the Company's principal operations in British Columbia the union agreement with the United Steel Workers will expire June 30, 1972.

Principal Subsidiaries Included in Consolidation:

Pine Point Mines Limited—69% owned:

Net earnings for the year were $12.0 ($20.8) million. The tonnage of zinc-lead ore processed was again at a record level as shown in the table on page 1 but production of concentrates was less than in 1970 because of lower grades. Net earnings were also adversely affected by higher production costs and the effect of the lower prices for lead. Due to several serious forest fires in the area and a scheduled vacation shutdown during the summer, stripping was below the amount forecast but this will not affect the long-term mining program. Several types of heavy haulage equipment which could lead to significant increases in efficiency were successfully tested during the year. An active exploration program continued and although no major orebodies were found during 1971 two new mineralized zones were located and are being investigated.

Cominco American Incorporated—100% owned:

In 1971 total sales net of delivery expense were U.S. $68.4 ($66.6) million.

Sales of fertilizers increased during 1971 and the total tonnage of all products sold amounted to 1,038,000 (992,000) tons.

Sales of electronic materials continued at satisfactory levels.

The Magmont mine, 50% owned, produced 1,040,000 (859,000) tons of ore. In accordance with the long-term mining plan the grade of ore extracted was somewhat lower than in 1970 resulting in reduced metal and concentrate sales at 47,400 (52,400) tons. Revenues at $9.7 ($12.6) million were reduced principally because of the lower price for lead.

Phosphate rock produced at the Brock Mine in Montana amounted to 234,000 (159,000) tons. Ammonium nitrate produced at the Homestead plant in Nebraska amounted to 171,000 (163,000) tons.

The Hill Chemicals' plant at Borger, Texas, operated satisfactorily during the year and produced 399,000 (366,000) tons of ammonia. Ammonia prices were somewhat higher. Cominco American purchased additional shares of Hill Chemicals, Inc. and at year-end its total interest amounted to 93.6%

An active mining exploration program was carried on within the United States.

Western Canada Steel Limited—100% owned:

Sales of $25 million were equal to those of the previous year as increased construction activity in western Canada offset a decline in export sales. The net effect on profits was favourable. Near capacity operation was maintained in all divisions. The 50%-owned associate company, Hawaiian Western Steel Limited in Honolulu, maintained its earnings in spite of a local economic slowdown.

National Hardware Specialties Limited—99% owned:

An increase in housing starts along with some improvement in automotive work resulted in a 25% increase in sales by National and its subsidiary, Schultz Die Casting Company of Canada Limited. The companies operated at a small profit.

In order to provide a sound base for future development, Schultz was amalgamated with National at year end. Additional property contiguous to National's plant in Dresden, Ontario was acquired.

Coast Copper Company, Limited—95% owned:

The output of the Coast Copper operation at Benson Lake on Northern Vancouver Island was 296,000 (291,000) tons of copper ore grading 1.97% (2.02%) copper, from which 23,000 (24,000) tons of copper concentrates were produced for shipment to markets in Japan. All production came from the Benson Lake mine.

Sales amounted to $4.8 ($6.3) million and in spite of reduced production cost the property operated at a loss of $872,000 because of the serious decline in copper prices. In 1970 net earnings were $264,000.

Ore reserves at year-end amounted to 830,000 (1,195,000) tons of 1.6% (1.7%) copper at the Benson Lake mine and remained unchanged at the Coast Copper mine at 159,000 tons of 1.0% copper.

Cominco Australian Pty. Ltd.—100% owned:

In September this wholly-owned Australian subsidiary acquired a 55% interest in Aberfoyle Limited, an established Australian mining company. Aberfoyle operates five mining companies producing tin, tungsten, copper and gold. This group with its valuable experience in development and in production and management of mine operations complements Cominco's exploration activity in Australia and diversifies its interests in the metal mining field.

After the acquisition of this interest, the Aberfoyle group produced 1,700 tons of tin concentrate, 240 tons of tungsten concentrate, 1,580 tons of copper concentrate, 5,270 ounces of gold and 6,560 ounces of silver.

Total sales for the Aberfoyle group for the year ending June 30, 1971 were $ Can. 14.4 million and net earnings were $ Can. 1.5 million. Lower tin, tungsten and copper prices which continued into the latter half of 1971 reduced earnings during that period.

Cominco Exploration Pty. Ltd., a wholly-owned subsidiary of Cominco Australian Pty. Ltd., continued its own active and separate exploration program in Australia during the year.

Principal Unconsolidated Subsidiary Companies:

West Kootenay Power and Light Company, Limited—ownership, 100% Common; 25% Preferred:

This Company which was incorporated in 1897 continues to experience a substantial load growth amounting to nearly 10% in 1971. Total sales of firm energy were 855 (778) million kilowatt hours. Capital expenditures of $1.9 ($1.3) million were required to provide expanded services. Earnings increased to $954,000 ($865,000) and dividends amounting to $712,000 ($619,000) were paid to Cominco.

Pacific Coast Terminals Co. Ltd.—78% owned:

Total cargo handled at 3.26 (3.34) million tons was down slightly from the previous year but there was a sharp increase in the proportion of higher revenue cargo as a result of the diversion of ships to Canadian ports during the waterfront strike on the United States west coast. Net earnings of the Company amounted to $655,000 ($281,000).

Cominco-Gardner Ltd.—52% owned—& Cominco-Gardner GmbH—50.03% owned:

At the year-end negotiations for the acquisition of the minority interests held by Henry Gardner & Co. Ltd. in these two companies had been completed. Steps were in progress to change the names to Cominco (U.K.) Ltd. and Cominco GmbH respectively. These acquisitions will strengthen Cominco's marketing position in Europe. Both companies, through which Cominco's metals are distributed in the United Kingdom and continental Europe, performed well in 1971 in spite of difficult market conditions.

Rycon Mines Limited—76% owned:

In 1971, 51,000 (77,000) tons of ore were mined containing 0.58 (0.64) ounces of gold per ton.

Affiliated Companies:

The Canada Metal Company Limited—50% owned:

All branches across Canada operated successfully and although tonnage of sales increased by 5% earnings decreased because of lower metal prices. Dividends of $425,000 ($500,000) were paid to Cominco.

Fording Coal Limited—40% owned:

As manager for Fording, Cominco completed construction of the major portion of the processing plant facilities and services at Fording Coal's plant located 40 miles north of Sparwood in southeastern British Columbia. Canadian Pacific Limited completed a railway spur from Sparwood to the plant site. By year-end the raw coal breaking and stacking system was in operation and commissioning of the coal preparation plant had entered the final stages. The coal treatment plant will be completed by April 1972 in time for initial shipments as scheduled. The coal will be transported by specially designed unit trains to Roberts Bank near Vancouver for delivery mainly to Japan. Construction activities included a substantial housing development at the new Village of Elkford 20 miles south of the mine.

Mitsubishi Cominco Smelting Company Limited—45% owned:

Refined lead and bullion production amounted to 32,700 (33,600) tons. The plant operated entirely on concentrates purchased from Pine Point Mines Limited. Due to declining lead prices a small loss was experienced.

Mazak Limited—50% owned:

This Company performed well in 1971 and maintained a strong zinc die-cast alloy market for Cominco in Great Britain.

Cominco Binani Zinc Limited—40% owned:

This Company, located in southwest India, produced 12,000 (14,500) tons of refined zinc, 22,000 (28,000) tons of sulphuric acid and 28,000 (38,000) pounds of cadmium. A substantial part of the concentrates used were purchased from Pine Point Mines Limited.

Operations were shut down for nearly three months by a strike and throughout the year experienced a series of mechanical failures and power outages. At year-end these conditions had improved and productivity was increasing following settlement of the strike.

Consolidated Statement of Earnings Year ended December 31, 1971
(with comparative figures for 1970)

	1971	1970
Sales of products	$251,744,000	$264,483,000
Other revenue	6,484,000	5,466,000
	258,228,000	269,949,000
Deduct		
Cost of sales, selling and general expenses	201,978,000	198,893,000
Interest on long-term debt	6,635,000	4,923,000
Depreciation (Note 4)	22,036,000	22,607,000
Depletion (Note 4)	7,166,000	5,663,000
Amortization of deferred charges (Note 5)	1,719,000	1,584,000
	18,694,000	36,279,000
Add		
Dividends from unconsolidated subsidiaries (Note 6)	911,000	717,000
Dividends from 50% owned companies (Note 6)	522,000	606,000
Income from other investments	1,792,000	3,017,000
	21,919,000	40,619,000
Income taxes, including $2,047,000 previously deferred (1970 — $189,000) (Note 7)	5,600,000	9,900,000
Minority interests in net earnings of consolidated subsidiaries	4,023,000	6,557,000
Earnings before extraordinary items (per share $0.74, 1970 — $1.44)	12,296,000	24,162,000
Extraordinary items (Note 8)	3,386,000	103,000
Net earnings	$ 15,682,000	$ 24,265,000
Net earnings per share	$0.94	$1.45

Consolidated Statement of Retained Earnings Year ended December 31, 1971
(with comparative figures for 1970)

	1971	1970
Amount at beginning of year	$277,592,000	276,703,000
Net earnings	15,682,000	24,265,000
	293,274,000	300,968,000
Dividend—$0.70 per share, 1970—$1.40	11,688,000	23,376,000
Amount at end of year	$281,586,000	$277,592,000

Consolidated Statement of Source and Application of Funds Year ended December 31, 1971
(with comparative figures for 1970)

	1971	1970
Source		
Earnings for year, before extraordinary items	$12,296,000	$24,162,000
Add		
Depreciation	22,036,000	22,607,000
Depletion	7,166,000	5,663,000
Amortization of deferred charges	1,719,000	1,584,000
Decrease in deferred income taxes	(2,047,000)	(189,000)
Funds from operations	41,170,000	53,827,000
Increase (decrease) in long-term debt, net	21,732,000	(3,142,000)
Proceeds from grant of rights	2,745,000	—
Proceeds from sale of property and investments	933,000	1,700,000
Increase (decrease) in working capital resulting from the consolidation of subsidiary	5,466,000	(1,582,000)
	72,046,000	50,803,000
Application		
Capital expenditures		
Outlay to acquire Abertoyle group of companies	11,056,000	—
Investments	8,978,000	15,294,000
Land, buildings and equipment	18,038,000	18,839,000
Mining properties and development	4,392,000	3,519,000
Potash rehabilitation cost (Note 11)	3,943,000	1,989,000
Dividends	11,688,000	23,376,000
Decrease in minority interests in consolidated subsidiaries	598,000	6,086,000
Other	2,177,000	2,007,000
	60,870,000	71,110,000
Increase (decrease) in working capital	$11,176,000	$(20,307,000)

Working Capital

	1971	1970	Increase (Decrease)	Increase (Decrease)
Current assets	$154,529,000	$129,275,000	$25,254,000	$(18,303,000)
Current liabilities	57,743,000	43,665,000	14,078,000	2,004,000
	$ 96,786,000	$ 85,610,000	$11,176,000	$(20,307,000)

Consolidated Balance Sheet at December 31, 1971

(With comparative figures for 1970)

Assets

	1971		1970	
Current Assets				
Cash and short-term investments	$ 34,417,000		$ 12,710,000	
Accounts receivable				
Trade	45,986,000		41,913,000	
Unconsolidated marketing subsidiaries	6,561,000		6,858,000	
Other unconsolidated subsidiaries	232,000		317,000	
Inventories (Note 9)	61,032,000		61,552,000	
Prepaid charges	6,301,000	$154,529,000	5,925,000	$129,275,000
Investments and Sundry Assets				
Investments (Note 10)	63,950,000		55,114,000	
Deferred charges (Note 5)	6,082,000		4,312,000	
Other (Note 11)	8,389,000	78,421,000	5,402,000	64,828,000
Fixed Assets (Note 4)				
Land, buildings and equipment at cost less fully depreciated items and amounts realized on sales	380,714,000		345,699,000	
Less accumulated depreciation	145,852,000		118,061,000	
	234,862,000		227,638,000	
Mining properties and development at cost less amounts written off	78,001,000		67,462,000	
Less accumulated depletion	27,166,000		22,440,000	
	50,835,000	285,697,000	45,022,000	272,660,000
		$518,647,000		$466,763,000

Liabilities and Shareholders Equity

	1971		1970	
Current Liabilities				
Bank loans	$ 855,000		$ 2,400,000	
Accounts payable and accrued liabilities	40,776,000		32,841,000	
Income taxes	3,347,000		2,577,000	
Long-term debt due within one year	12,765,000		3,057,000	
Minority interest in dividend payable by a subsidiary	—	$ 57,743,000	2,790,000	$ 43,665,000
Long-term Debt Including Unrealized Foreign Exchange Gain (Note 12)		96,413,000		73,832,000
Minority Interests in Consolidated Subsidiaries		29,235,000		17,117,000
Deferred Income Taxes		28,668,000		29,555,000
Shareholders' Equity				
Capital:				
Authorized — 20,000,000 shares of no par value				
Issued and fully paid —16,698,583 shares	25,002,000		25,002,000	
Retained earnings	281,586,000	306,588,000	277,592,000	302,594,000
Commitments and Contingent Liabilities (Note 13)				
		$518,647,000		$466,763,000

Approved on behalf of the Board:

R. Hendricks
F. E. Burnet } Directors

Notes to Consolidated Financial Statements

1. Basis of Presentation

The financial statements of Cominco Ltd. ("Cominco") are presented in consolidation with those of:

(1) all subsidiaries in which it holds all the shares, and

(2) all major partially-owned subsidiaries engaged in the same business as Cominco (Aberfoyle Limited (acquired September, 1971), 55% owned; Coast Copper Company Limited, 95% owned; Hill Chemicals, Inc., 94% owned; National Hardware Specialties Limited, 99% owned; Pine Point Mines Limited, 69% owned).

Other subsidiaries have not been included in the consolidation because they have different businesses from those of Cominco or their inclusion would not significantly affect earnings.

In the consolidation the assets of the subsidiaries are revalued by allocating to them on appropriate bases the excess, if any, of cost of the shares over the underlying book values. The charges against earnings for depreciation and depletion (Note 4) of such assets are based on the adjusted values.

2. Foreign Exchange Translation

The foreign currency assets and liabilities of Cominco and its domestic subsidiaries have been translated into Canadian dollars at current rates of exchange.

The current assets and current liabilities of foreign subsidiaries have been translated at current rates of exchange and the resulting adjustments, which are not material, have been taken into earnings. Fixed assets of foreign subsidiaries have been translated at the rate in effect at the time of their acquisition. The long-term debt of these subsidiaries has been translated at the rate in effect on December 31, 1971 and the resulting unrealized exchange gain of $2,193,000 (Note 12) is carried in the balance sheet, to be brought into earnings, together with such gains or losses in the future, as the debt is repaid.

3. Directors' and Officers' Remuneration

In 1971 total remuneration of $85,000 was paid to fourteen (all) directors and $797,000 to fifteen (all) officers of Cominco, including relatively insignificant amounts paid to them by subsidiaries. There were four officers who were also directors.

4. Depreciation and Depletion

Cominco and its consolidated subsidiaries compute depreciation on each year's net plant expenditures evenly over a period of years until these expenditures have been fully depreciated. At that time, the practice generally is to write off the recorded cost against the depreciation accumulation so that only costs not yet fully depreciated are carried on the balance sheet.

Cominco and consolidated Canadian subsidiaries depreciate expenditures over thirteen years, except for the potash mine which is depreciated over twenty years. Depreciation on the latter has been temporarily suspended during rehabilitation of the mine (see Note 11).

Consolidated subsidiaries in the U.S.A. depreciate expenditures over the originally estimated economic lives of the individual facilities. As part of a programme of consolidation and cost control in phosphate production the operation of one mine was suspended in 1968. This facility, which is maintained in working order, is carried in fixed assets at a depreciated value of $4,062,000, depreciation of $356,000 having been taken in 1971 and $357,000 in 1970.

Expenditures on general mineral exploration are charged against earnings as incurred. Expenditures on investigating identified properties and developing mines are capitalized as "Mining properties and development" and these capitalized expenditures, together with the cost of certain investments in mining companies, are amortized against earnings by charges for depletion determined in a systematic way based on the company's mineral resources position.

5. Deferred Charges

	1971	1970
Financing costs	$ 2,380,000	—
Office move to Vancouver	1,017,000	$1,352,000
Hill Chemicals, Inc. start-up expense	896,000	1,344,000
Mine preparation	1,250,000	1,057,000
Other	539,000	559,000
	$ 6,082,000	$4,312,000

"Financing costs" relate to the issue on April 15, 1971 of $65,000,000 20-year 8½% Sinking Fund Debentures, and are being amortized over the life thereof. The amount of $2,380,000 represents the unamortized portions of the costs of making the issue, the increased interest charges related to this early provision for refunding the $40,000,000 in Notes due May, 1972 and the premiums on redemption prior to maturity of $30,630,000 out of such notes. Amortization of deferred charges in the statement of earnings includes $100,000 in respect of these financing costs.

6. Equity in Earnings of Unconsolidated Subsidiaries and 50% owned Companies

Cominco has followed the practice of taking up as income out of its equity in the earnings of unconsolidated subsidiaries and 50% owned companies only the amounts of dividends received.

The following table shows the equity of Cominco in the net undistributed earnings of these companies:

	1971	1970
Unconsolidated Subsidiaries:		
Equity in undistributed earnings at beginning of year	$ 2,417,000	$1,948,000
Prior years' losses of companies now consolidated	493,000	—
Equity in earnings for the year	1,469,000	1,186,000
Dividends received	(911,000)	(717,000)
Equity in undistributed earnings at end of year	$ 3,468,000	$2,417,000
50% Owned Companies:		
Equity in undistributed earnings at beginning of year	$ 1,047,000	$ 731,000
Equity in earnings for the year	348,000	922,000
Dividends received	(522,000)	(606,000)
Equity in undistributed earnings at end of year	$ 873,000	$1,047,000

7. Income Taxes

There are two material unresolved matters in the companies' income tax affairs.

First, an amendment in October, 1969 to the Canadian Income Tax Regulations could be interpreted by taxation officials in a manner which would materially reduce the tax depletion allowances for Cominco and Pine Point for 1969 and subsequent years because these companies are associated with each other and with other subsidiaries of Canadian Pacific Investments Limited. Representatives of Cominco have had discussions with officials of the Federal Government with a view to removing the possibility of any such additional levy, which they believe would be grossly inequitable, especially to the large bodies of minority shareholders. In these discussions they have received assurances that the possible reduction in depletion allowances is not intended in such circumstances, and the Income Tax Regulations will be amended to clarify the matter. Should the Regulations not be satisfactorily amended, and should any such tax be assessed against the companies, their counsel advises that there are grounds for defense in the courts. No provision has been made in these financial statements for the contingent liability for these taxes which, if levied, would reduce the consolidated earnings of Cominco by amounts estimated at $1,200,000 for 1969, $1,100,000 for 1970, and $500,000 for 1971.

Second, Pine Point has received an assessment for 1968 and 1969 disallowing as an expense a continuing special transportation charge by Canadian National Railways for hauling ores and concentrates from the Pine Point mine. Pine Point has been advised by its counsel that the special transportation charge is deductible as an expense in determining taxable income. The persons who negotiated for Pine Point the governing contract with the C.N.R. and the Government of Canada in 1961 understood it to be agreed by all concerned that the transportation charges would be deductible. Pine Point is contesting the assessments vigorously and is filing a Notice of Objection. Should the defense not be successful, the consolidated earnings of Cominco for the four years to December 31, 1971, would be reduced by approximately $1,100,000 in total in respect of these income taxes, no provision having been made for them in these financial statements.

8. Extraordinary Items

	1971	1970
Proceeds from grant of river and water storage rights	$ 2,745,000	—
Gain on sale of investment	208,000	—
Reduction in income taxes of consolidated subsidiary resulting from losses of prior years	433,000	$ 103,000
	$ 3,386,000	$ 103,000

9. Inventories

	1971	1970
Raw materials and products	$45,884,000	$46,750,000
Stores and materials	15,148,000	14,802,000
	$61,032,000	$61,552,000

Raw materials and products are valued generally at the lower of cost (determined on the monthly average method) or net realizable value.
Stores and materials are valued at cost less appropriate allowances for obsolescence.

10. Investments

	1971	1970
Unconsolidated Subsidiary Companies		
Valley Copper Mines Limited (NPL) (70% owned)		
Shares, at cost (quoted market value $54,093,000)	$ 3,510,000	$ 3,510,000
Advances	5,993,000	6,198,000
Others		
Shares, at cost, having no quoted or meaningful market value	21,453,000	17,782,000
Advances	6,695,000	5,574,000
50% Owned Companies		
Shares, at cost	8,512,000	8,512,000
Advances	1,846,000	1,846,000
Other Companies		
Shares, at cost (quoted market value $2,743,000)	3,894,000	1,083,000
Shares having no quoted market value		
Fording Coal Limited	6,400,000	6,400,000
Panarctic Oils Ltd.	4,939,000	3,350,000
Other, at cost, less amounts written off and amounts realized on sales	3,736,000	4,478,000
Advances	6,600,000	3,919,000
	73,578,000	62,652,000
Less: Accumulated provision for depletion of mineral investments (Note 4)	9,628,000	7,538,000
	$63,950,000	$55,114,000

11. Saskatchewan Potash Mine

On August 27, 1970, a water break-through occurred in one of the shafts. The mine was flooded and all operations had to be shut down. De-watering of the mine is complete and other rehabilitation work is continuing with dispatch. Legal counsel have advised that in their opinion there are good grounds for establishing liability against the contractors. Accordingly, the cost of $5,932,000 accumulated for this work to December 31, 1971 is included in "Investments and Sundry Assets, Other" in the balance sheet.

12. Long-Term Debt, including unrealized foreign exchange gain

	1971	1970
Long-term debt of Cominco and consolidated subsidiaries		
Canadian companies		
8½% Sinking Fund Debentures Due April 15, 1991	$ 65,000,000	—
6¼% Notes payable to an affiliated company, due May 1, 1972	—	$20,000,000
6½% Series A Notes, due May 15, 1972	9,370,000	20,000,000
Sundry, including $650,000 first mortgage sinking fund bonds of a subsidiary	1,149,000	1,370,000
	75,519,000	41,370,000
Less: Portion due within one year	9,529,000	197,000
	65,990,000	41,173,000
Companies in the U.S.A., payable in U.S. funds		
Cominco American Incorporated		
5⅛% Mortgage notes ($6,800,000 U.S.) due January 1, 1980 maturing $800,000 U.S. annually	6,800,000	7,681,000
6¾% Promissory notes ($6,100,000 U.S.) due January 1, 1980 maturing $700,000 U.S. annually	6,100,000	6,872,000
Hill Chemicals, Inc.		
7% Mortgage notes ($17,340,000 U.S.) due September 1, 1984 maturing $665,000 U.S. semi-annually	17,340,000	18,868,000
	30,240,000	33,421,000
Less: Portion due within one year	2,830,000	2,860,000
	27,410,000	30,561,000
Australian companies, payable in Australian funds	1,226,000	—
Less: Portion due within one year	406,000	—
	820,000	—
	94,220,000	71,734,000
Unrealized gain from reduction in the value of the U.S. dollar relative to the value of the Canadian dollar	2,193,000	2,098,000
	$ 96,413,000	$73,832,000

13. Commitments and Contingent Liabilities

Sundry guarantees, commitments and claims at December 31, 1971 are estimated at $6,000,000.
Cominco has undertaken to guarantee bank loans of $28,000,000 to Fording Coal Limited, in which company Cominco holds a 40% equity interest.

Under a throughput agreement for the transmission of ammonia, Hill Chemicals, Inc. has undertaken to pay $2,300,000 U.S. per year until 1988.

14. Pensions

The practice of the company and its consolidated subsidiaries, several of which have separate plans, is to charge earnings with estimates, based on the actuarial studies, of the expense related to both past and current service.
At December 31, 1971 marketable investments worth approximately $46,720,000 and mortgages of a face value of approximately $7,144,000 were held by trustees under Cominco's pension plans.

Actuarial evaluations of the plans at January 1, 1971 indicated a net unfunded liability of approximately $8,400,000 and this is being funded over a period of 21 years in compliance with the laws which regulate such matters. To hold funding requirements to reasonable levels the pension plans relate retirement benefits to final earnings in the year 1975 or on retirement, whichever first occurs, with the intention that the 1975 date will be extended periodically; such extensions are likely to increase the unfunded liabilities.

Auditors' Report To the Shareholders

We have examined the consolidated balance sheet of Cominco Ltd. and subsidiaries as at December 31, 1971 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, subject to possible adjustments which may result in the future from resolution of the matters described in Notes 7 and 11.

Vancouver, B.C.
February 21st, 1972

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

Principal Active Subsidiary and Affiliated Companies

INCLUDED IN CONSOLIDATION

		Head Office
Coast Copper Company, Limited	J. H. Salter, *President*	Trail, British Columbia
Cominco American Incorporated	J. C. MacLean, *President and Chief Executive Officer*	W. 818 Riverside Avenue, Spokane, Washington 99201 U.S.A.
Cominco Australian Pty. Ltd.	J. K. Connor, *Secretary*	22 Bridge Street Sydney, Australia
National Hardware Specialties Limited	W. J. McDonald, *President*	Dresden, Ontario (P.O. Box 250)
Pine Point Mines Limited	J. H. Salter, *President*	Trail, British Columbia
Western Canada Steel Limited	M. C. D. Hobbs, *President*	450 S.E. Marine Drive, Vancouver 15, British Columbia

UNCONSOLIDATED

Cominco-Gardner GmbH	Hans von Mejer, *Managing Director*	Corneliusstrasse 36, Dusseldorf, West Germany
Cominco-Gardner Limited	D. M. Silver, *Managing Director*	4 Coleman Street, London, E.C.2, England
Exploracion Minera Internacional (Espana) S.A.	R. Sanchez Jimenez, *Chairman*	85 Goya, Madrid, Spain
Pacific Coast Terminals Co. Ltd.	J. S. Denis, *President*	New Westminster, British Columbia (P.O. Box 697)
Rycon Mines Limited	R. P. Douglas, *President*	Yellowknife, N.W.T.
Valley Copper Mines Limited (N.P.L.)	R. J. Armstrong, *President*	Trail, British Columbia
Vestgron Mines Limited	R .J. Armstrong, *President*	Trail, British Columbia
West Kootenay Power and Light Company, Limited	W. K. Gwyer, *President*	1335 Cedar Avenue, Trail, British Columbia

AFFILIATED

Cominco Binani Zinc Limited	G. Binani, *Chairman*	38 Strand Road Calcutta 1, India
Fording Coal Limited	R. M. Porter, *President*	Trail, British Columbia
Mazak Limited	G. P. Holloway, *Managing Director*	1 Redcliff Street Bristol 1, England (P.O. Box 19)
Mitsubishi Cominco Smelting Company Limited	Takuhei Oishi, *President*	6, 1-chome, Ohte-machi, Chiyodaku, Tokyo, Japan
The Canada Metal Company Limited	Carleton Smith, *President*	721 Eastern Avenue Toronto 8, Ontario

Consolidated Ten-Year Summary

(all dollar amounts in millions, except per share figures)
(all prior years have been restated to a basis comparable with the current year, except for extraordinary items as noted below)

	1971	1970	1969
Earnings			
Sales of all products	**$251.7**	$264.5	$250.6
Other revenue	**6.5**	5.4	5.7
Cost of sales and debt interest	**208.6**	203.8	188.7
Earnings from operations	**49.6**	66.1	67.6
Income from investments	**3.2**	4.3	4.8
Provisions for depreciation, depletion and amortization	**30.9**	29.8	26.8
Provision for income taxes	**5.6**	9.9	12.3
Minority interest in net earnings of consolidated subsidiaries	**4.0**	6.5	5.5
Equity in loss of Hill Chemicals, Inc.	**—**	—	2.0
Extraordinary items (1)	**3.4**	.1	4.5
Net earnings	**15.7**	24.3	30.3
Net earnings per share	**0.94**	1.45	1.81
Dividends declared	**11.7**	23.4	23.4
Dividends declared per share	**0.70**	1.40	1.40
Retained earnings for the year	**4.0**	.9	6.9
Financial position			
Cash and short term investments (2)	**$ 34.4**	$ 12.7	$ 21.7
Inventories of raw materials and products	**45.9**	46.8	45.3
Working capital	**96.8**	85.6	105.9
Investments and sundry assets	**78.4**	64.8	55.2
Fixed assets – net	**285.7**	272.7	252.3
Total assets	**518.6**	468.8	455.0
Long-term debt	**96.4**	73.8	56.8
Minority interest in consolidated subsidiaries	**29.2**	17.1	23.0
Deferred income taxes	**28.7**	29.6	29.7
Shareholders' equity	**306.6**	302.6	301.8
Other Statistics			
Capital expenditures	**$ 42.5**	$ 37.7	$ 26.8
Number of shares outstanding at year-end	**16,698,583**	16,698,583	16,698,583
Number of shareholders at last record date	**37,631**(3)	39,110	39,406
Number of employees at year-end including subsidiaries	**10,584**(4)	10,157	10,105

(1) Charged or credited to retained earnings prior to 1968.
(2) Cash and marketable securities prior to 1970.
(3) 94% of the shareholders were Canadian registrants and hold 96% of the shares issued.
(4) Includes 909 employees of Aberfoyle Limited. and 407 employees at the Fording Coal operation.

1968	1967	1966	1965	1964	1963	1962
$241.3	$217.0	$224.6	$211.2	$170.0	$140.3	$131.1
5.5	4.5	4.2	4.5	4.3	3.5	2.8
173.5	148.7	144.5	127.7	103.9	90.9	89.0
73.3	72.8	84.3	88.0	70.4	52.9	44.9
5.1	4.7	4.6	6.9	5.1	4.8	3.8
21.7	18.6	15.9	13.7	11.9	11.0	11.1
17.0	10.1	14.6	22.9	24.1	16.9	14.4
7.9	10.1	8.8	4.4	(.1)	—	—
—	—	—	—	—	—	—
2.5	—	—	—	—	—	—
34.3	38.7	49.6	53.9	39.6	29.8	23.2
2.05	2.32	2.97	3.23	2.37	1.82	1.42
23.4	25.0	30.0	30.0	26.5	21.3	18.0
1.40	1.50	1.80	1.80	1.60	1.30	1.10
10.9	13.7	19.6	23.9	13.1	8.5	5.2
$ 29.4	$ 46.1	$ 26.9	$ 35.1	$ 64.8	$ 72.4	$ 71.9
38.3	45.9	43.9	40.1	32.5	26.7	27.8
97.5	113.2	86.2	79.4	97.3	101.1	103.1
50.8	47.1	35.0	29.8	13.0	18.9	12.3
257.5	224.8	195.3	147.3	112.1	73.9	68.7
445.5	431.7	357.8	300.7	261.7	226.0	212.8
58.4	59.5	14.3	11.7	6.5	—	—
22.3	20.7	17.7	4.9	0.6	—	—
30.1	21.3	16.4	6.1	5.5	1.5	—
294.9	283.7	268.0	233.8	209.9	192.5	184.0
$ 56.4	$ 58.8	$ 66.0	$ 64.4	$ 38.0	$ 22.7	$ 13.1
16,698,583	16,688,155	16,688,155	16,688,155	16,688,155	16,381,645	16,381,645
41,742	43,198	43,232	39,066	35,712	35,218	35,805
9,439	9,896	10,145	9,965	9,714	8,356	8,073

Products

Metals
Lead, Zinc, Silver, Bismuth, Cadmium, Mercury, Indium, Gold, Antimonial Lead, Zinc Dust, Steel

Concentrates and Mattes
Zinc, Lead, Copper, Tin, Copper Matte, Tungsten

High Purity Metals (99.999% and 99.9999% pure)
Aluminum, Antimony, Arsenic, Bismuth, Cadmium, Copper, Gallium, Gold, Indium, Lead, Silver, Sulphur, Tellurium, Thallium, Tin, Zinc

Fabricated Metal Products
Zinc Die Castings, Cadmium and Zinc Plating Anodes, Zinc Anodes for Cathodic Protection, Steel Fasteners, Light and Medium Structural Steel Products, Continuously Cast Lead Sheet (SHEALD), Colored Zinc Coating (DECRALOY), Zinc Extrusion, Forging and Casting Alloys (KORLOY)

Electronic Materials
Fabricated Forms of High Purity Metals, Compound Semiconductors

Fertilizers and Chemicals
Ammonium Sulphate, Ammonium Nitrate, Urea, Anhydrous and Aqua Ammonia, Nitrogen Solutions, Ammonium Phosphates, Ammonium Nitrate-Phosphates, Complete Fertilizers, Ammonium Phosphate Solutions, Phosphoric Acid, Nitrogen-Sulphur Solutions, Zinc Fertilizer Compound, Sulphuric Acid, Sulphur Dioxide, Hydrofluosilicic Acid, Nitric Acid, Iron Calcine

Muriate of Potash
Granular, Coarse, Standard, Special Standard, White Soluble

The metallurgical plants at Trail, B.C. where the zinc plant has been expanded by the installation of two large roasters with a capacity of over 300,000 tons of contained zinc per year. The flowers in the foreground are in Gyro Park, on the banks of the Columbia River.

Cominco Ltd.

Head Office: 630 Dorchester Boulevard West, Montreal 101, Quebec, Canada
Executive Office: 1199 West Pender St., Vancouver 1, British Columbia, Canada

Directors

*W. J. BENNETT, *President*
Iron Ore Company of Canada, Montreal

H. C. BENTALL, *President*
Dominion Construction Co. Ltd., Vancouver

F. S. BURBIDGE, *Vice-President*
Canadian Pacific Limited, Montreal

*F. E. BURNET, *President*
Cominco Ltd., Vancouver

*N. R. CRUMP, *Chairman of the Company*
Canadian Pacific Limited, Montreal

G. A. HART, M.B.E., *Chairman of the Board*
Bank of Montreal, Montreal

*R. HENDRICKS, *Chairman and Chief Executive Officer*
Cominco Ltd., Vancouver

*G. H. D. HOBBS, *Executive Vice-President*
Cominco Ltd., Vancouver

R. A. MacKIMMIE, Q.C., *Partner,*
law firm of MacKimmie Matthews, Calgary

*D. R. McMASTER, Q.C., *Partner,*
law firm of McMaster, Meighen, Minnion, Patch & Cordeau, Montreal

S. E. NIXON, *Director*
Dominion Securities Corporation Limited, Montreal

THE HONOURABLE DUFF ROBLIN, P.C., C.C., *President*
Canadian Pacific Investments Limited, Montreal

*I. D. SINCLAIR, Q.C., *President and Chief Executive Officer*
Canadian Pacific Limited, Montreal

THE HONOURABLE JAMES SINCLAIR, P.C., *Deputy Chairman*
Canada Cement Lafarge Ltd., Vancouver

*Member of Executive Committee

Officers

†R. HENDRICKS, *Chairman and Chief Executive Officer*
†F. E. BURNET, *President*
I. D. SINCLAIR, Q.C., *Vice-President*
†G. H. D. HOBBS, *Executive Vice-President*
R. J. ARMSTRONG, *Vice-President, Exploration*
J. F. M. DOUGLAS, *Vice-President, Corporate Services*
H. T. FARGEY, *Vice-President, Marketing*
G. N. MOORE, *Vice-President, Eastern Region*
A. M. MURRAY, *Vice-President, Finance*
S. M. ROTHMAN, *Vice-President and General Manager, Production*
J. H. SALTER, *Vice-President, Operations*
C. H. B. FRERE, *General Counsel and Secretary*
D. L. HIEBERT, *Treasurer*
H. T. OMMANNEY, *Comptroller*

†Elected to office 1 January, 1972

Note: Mr. W. S. Kirkpatrick retired as Chairman of the Company 31 December, 1971.

Transfer Agents

The Royal Trust Company
555 Burrard Street, Vancouver 1, B.C.

The Royal Trust Company
600 - 7th Avenue S.W., Calgary 2, Alberta

The Royal Trust Company
630 Dorchester Blvd. West, Montreal 101, Quebec

The Royal Trust Company
One King Street, Saint John, N.B.

Canada Permanent Trust Company
1901 Yonge Street, Toronto 7, Ontario

Bank of Montreal Trust Company
2 Wall Street, New York, N.Y. 10005

Registrars

Montreal Trust Company
Montreal, Vancouver, Saint John, Calgary

Crown Trust Company, Toronto
Chemical Bank, New York

Registered trade marks of the Company:

COMINCO BRAND

TADANAC BRAND

ELEPHANT BRAND

SHEALD

KORLOY

DECRALOY

Cominco

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